

# **BRIEFING MEMO**

## **Mid Coast Hospital** **Expansion and Renovation of ED in Brunswick, Maine**

**TO:** Brenda M. Harvey, Commissioner, DHHS

**THROUGH:** Catherine Cobb, Director, Division of Licensing and Regulatory Services

**FROM:** Phyllis Powell, Manager, Certificate of Need Unit  
Larry D. Carbonneau, CPA, Healthcare Financial Analyst

**SUBJECT:** Proposal by Proposal by Mid Coast Hospital to expand and renovate medical surgical beds and the emergency department at an estimated capital expenditure of \$21,324,000.

**DATE:** August 2, 2007

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**ISSUE ACTIVATED BY:** The referenced proposal requires Certificate of Need approval as defined in "The Maine Certificate of Need Act of 2002," 22 MRSA Section 326 et seq., as amended.

**REGISTERED AFFECTED PARTIES:** Parkview Adventist Medical Center  
Bath Iron Works

### **BACKGROUND:**

- Mid Coast Hospital (MCH) is a not-for-profit charitable corporation that operates a 104 bed community hospital in Brunswick, Maine.
- Mid Coast Hospital proposes a 31,650 square foot expansion to the existing facility. This would allow the construction and activation of 18 currently licensed medical surgical beds. It would also add three treatment rooms in a newly constructed emergency department to meet increasing service need. The existing emergency department would be converted into a six bed holding area for diagnostic imaging to improve the throughput of the hospital's diagnostic equipment. This project would bring MCH to 92 beds which are 12 below current licensed capacity.
- A condition of this approval should be that MCH accept a reduction in licensed bed capacity from 104 beds to 92 beds.
- The MCH Wing Construction and ED Renovation project is required to meet the immediate need as evidenced by patient boarding and ED diversions.
- The project includes the renovation of the existing MCH ED and new construction of 25,050 square feet. The total ED square footage following implementation of the project would be 12,300 square feet. The new medical/surgical space would encompass 14,000 square feet. The Diagnostic Imaging area would encompass 4,800 square feet.

- The *Division of Licensing and Regulatory Services, Medical Facilities Unit*, confirms that MCH is a fully licensed hospital in the State of Maine and is MaineCare and Medicare certified and has been accredited by the Joint Commission. The Division's most recent survey was completed on December 15, 2005. MCH's plan of correction was deemed to be acceptable on March 1, 2006.

***The CONU has determined that the applicant is fit, willing and able to manage this project and continue to provide services at the proper standard of care.***

- The applicant has determined that the capital cost for this project is \$21,324,000 resulting in third year operating costs of \$3,120,813.
- Demands on liquidity and capital structure are expected to be adequate to support projected operations. Financing and turnover ratios show little impact on the organization as a whole from successfully engaging in this project. The hospital has shown significant current earnings which are not expected to be impacted by this project.

***The CONU has determined that the applicant could financially support this project.***

- MCH's activation of 18 medical surgical beds and expansion of the ED potentially eliminates the practice of ambulance diversion and patient boarding that are documented threats to public and patient safety.
- Diversions increased from 2 to 16 in 2005 and 2006 respectively. Diversions generally span a two hour period and have an impact that extends beyond the patient being diverted. Not only is the patient placed in jeopardy due to delays in access but the delays increase the time ambulances are available for other patients. Additionally, 82% of patients seen at MCH's ED self-transport and would not know that MCH was on diversion status.
- Patient boarding hours at MCH increased from 73 in 2003 to 2,416 in 2006. This represents a substantial increase in boarding incidents at MCH. In 2006, 122 patients spent the night in the emergency department awaiting an inpatient bed. In early 2007, based upon incidents, MCH predicts that boarding incidents are likely to triple.
- This project is necessary to provide additional capacity to meet the service needs of the Behavioral Health patients served by MCH, which is the only hospital in the area with an in-patient behavioral health unit. This unit serves as a community, regional and statewide referral site and would increase from two to three secure rooms and also increase support space for staff.
- This project would reuse the present emergency room for patients needing diagnostic imaging services. This would provide a cost effective way to increase throughput, extend the life of the equipment and eliminate the need to acquire additional CT and MRI units.

***The CONU has determined that MCH has demonstrated a need for the proposed project.***

- Patient volume has increased even as MCH has aggressively developed primary care and prevention services to address inappropriate utilization of emergency services. MCH has been extremely proactive in creating systems that minimize the need for ED visits, yet the market has continued to increasingly require the service and in many cases subsequent admission to the hospital.
- Patient ED volume, increased patient diversions, and patient boarding have increased even with existing capacity at Parkview Adventist Medical Center (PAMC).
- MCH and PAMC have an agreement for PAMC to receive patients when MCH goes on diversion status, yet this has not reduced the demand for ED services at MCH.
- Attempts to negotiate a merger of the two hospitals have not proven successful.
- The CONU has determined that there are no alternatives that would better meet the goals of the project.
- Total approved 3rd year operating costs are projected to be \$3,120,813 and of that amount MaineCare's 3rd year cost is \$315,202 ( $\$3,120,813 \times 10.4\%$ ), which is both the Federal and State portions combined. Currently the impact to the Maine budget per year would be approximately \$110,321 ( $\$315,202 \times 35\%$  (State Portion)). This cost is not a significant additional cost to the State budget and the funds should be available to cover these additional costs.

***The CONU has determined that the proposed services are consistent with the orderly and economic development of health facilities and health resources for the State.***

- The CONU has evaluated this proposal against the criteria set forth in the 2007 State Health Plan. This project addresses several of the criteria, including the first tier priority: Projects with the primary objective of eliminating threats to patient safety. Without this project the hospital risks the health and safety to patients as conditions of overcrowding continue. By making these renovations MCH would significantly improve the quality of care by providing adequate beds for current needs and more defined areas for Behavioral Health patient admissions to the ED.
- MCH proposes to redesign their nursing model to better address and manage the acute episode of care and chronic illness care for all patients. All of the discharge planning, quality review and complex case management functions that previously occurred on the back end of a patient's acute hospital stay would now be integrated into the nursing delivery model. Patient Care Coordinators would be assigned to every patient to assure quality of care and efficient transition at discharge to chronic illness managers.
- MCH proposes to set aside \$3,000,000 of internal funds to create an endowment, the income of which will be used solely for the purposes of wellness, and would include a complimentary program targeted at preventing obesity.
- Additionally, MCH is committed to using best practices in environmental building.

- The *Maine Bureau of Insurance* estimated that the maximum impact of this CON project on private health insurance premiums in MCH's service area for the project's third year of operation will be approximately \$1.063 per \$100 (1.063%) of premium. They further estimate that this project, in its third year of operation, will have a maximum impact on statewide private health insurance premiums of approximately \$0.049 per \$100 (0.049%) of premium. MCH presented a model that projected a cost less than .5%. The reality is likely to fall somewhere between the two estimates. This is an acceptable financial impact to third party payers considering the threats to public and patient safety.

***The CONU has determined that the project would be consistent with the State Health Plan.***

- *Maine CDC* concluded that MCH's hospital overcrowding results in potential threats to the patients in that the lack of beds will require a diversion of the ER patients to another facility resulting in delayed emergency services.
- *Maine Quality Forum* observes: "One could assume that if Parkview limited its services to those it could adequately support, then quality could be provided. If Parkview chose to maintain a broader level of services than it could financially and structurally support, then quality would likely suffer. It is then Parkview's obligation to structure itself so that its quality of care is maintained over the spectrum of services it provides."

***The CONU has determined that this project would ensure high-quality outcomes and does not negatively affect the quality of care provided by existing service providers.***

- Patient volume has increased even as MCH has aggressively developed primary care and prevention services to address inappropriate utilization of emergency services. MCH has been extremely proactive in creating systems that minimize the need for ED visits, yet the market has continued to increasingly require the service and in many cases subsequent admission to the hospital.
- *Maine Quality Forum* did not include a statement relative to inappropriate increase in service utilization regarding this project.

***The CONU has determined that this project would not result in inappropriate increases in service utilization.***

- The impact to the Capital Investment fund would be \$1,560,407 for two years.

***The CONU has determined that this project could be funded within the Capital Investment Fund***

**Comments From Public:**

Considerable public comments were received relative to this project. The majority of those comments favored the application. All comments received at the public information meeting, the public hearing or in writing and all items contained in the public record were carefully considered in developing the preliminary analysis.

**HIGHLIGHTS:**

Letter of Intent dated September 21, 2006  
Subject to CON review letter issued September 26, 2006  
Technical Assistance Meeting held on October 17, 2006  
Application filed and certified as complete-December 15, 2006  
Application placed in review cycle January 1, 2007  
Applicant's public informational meeting held January 11, 2007  
Public Hearing held on March 13, 2007  
Preliminary Analysis released June 20, 2007  
Preliminary Analysis published on June 25, 2007  
Record Closed July 10, 2007

**Comments Received Following Release of Preliminary Report:**

Following publication of the recommendations in the Preliminary Staff Analysis, and within the comment period, additional comments were also received from PAMC and MCH.

**The additional comments are summarized as follows:**

**Mid Coast Hospital Comments (Received July 6, 2007):** "Of the four conditions, only condition #1 gives us any cause for concern. In APPENDIX VIII-Schedule 1 of the application, Mid Coast Hospital provided a detailed analysis of the region's bed capacity. That analysis, after appropriately adjusting for the impact of tertiary care, shows that even using the licensed capacity (MCH-104; Parkview-55) our region has significantly less beds per thousand population than Maine as a whole. Reducing our license from 104 to 92 makes the gap even larger. On the other hand we realize that these are challenging times for the health care industry. Nobody has a "crystal ball" relative to future bed need. Therefore, we have decided not to challenge condition #1. If and when we have additional bed need, we will deal with it at that time. The bottom line is that all four conditions are acceptable."

**CONU Comment:**

CONU understands that this region of the state has already experienced a down sizing of hospital beds. The recommendation for the license reduction is based upon the need for the additional beds as quantified in the record.

**Parkview Adventist Medical Center (PAMC) Comments (Received July 10, 2006):**

Several of the comments presented by PAMC were restatements of comments made in prior submissions and were already considered while developing the Preliminary Staff Analysis that recommended approval. For the purpose of this Briefing Memo, we will indicate which items have already been presented and considered and address any new information that was received from Parkview.

**I. “The Plain Language of the CON Laws and Regulations Require the CONU to Look at Need and Available Capacity of a Community or Region, Not of One Facility in That Community or Region.”****CONU Comment:**

CONU staff did consider the quantified need and total capacity of the region in making its recommendation. This area of the state has already experienced a significant downsizing. Based upon information contained in the record, CONU determined a need exists for 147 beds (55 PAMC; 92 MCH) to right-size this service area. This section of PAMC’s comments contained no new Information that was not considered in developing the Preliminary Staff Analysis. CONU continues to find that, even with capacity at PAMC, patient and public safety issues are occurring by diversions and overcrowding at MCH.

**II. “The Preliminary Analysis and Recommendation for Approval is Contrary to The State Health Plan”****CONU Comment:**

CONU staff considered the State Health Plan priorities in making its recommendation. This section of PAMC’s comments does not contain new information that was not considered in developing the Preliminary Staff Analysis. MCH meets several high priorities in the state health plan. Applicants do not have to meet all priorities in the plan to be approved and some will not, due to the nature of the project and the existing conditions in each community. To fail to meet one or two of the priorities does not automatically result in an application being denied.

**III. “CONU Determinations Should Not Promote Health Policy that Rewards Hospital Providers for Questionable Business Tactics in Two-Hospital Communities.”****CONU Comment:**

This information is vague and was contained in a prior submission by PAMC. Failed efforts by MCH and PAMC to reach an agreement for consolidation are not a consideration in this case. As discussed in the staff analysis, if PAMC believes that there was misconduct by MCH, it is up to Parkview to present that information to the appropriate authority. Additionally, the state does not regulate where physicians choose to practice or where patients must go to receive services. Indeed, as presented by PAMC in these comments, some physicians have privileges at both PAMC and MCH.

**IV. “Parkview Adventist Medical Center Has the Capacity to Treat Additional Patients”****CONU Comment:**

The availability of beds at PAMC has not alleviated the threats to public and patient safety that this project addresses. Patients and physicians are choosing to use MCH emergency services. The mere existence of beds in a community does not equate to access to those beds.

**V. “Granting this CON Application Would Harm PAMC”****CONU Comment:**

CONU and MQF addressed this in the staff analysis. A majority of the patient projection shift has already occurred. MCH projects minor future patient shifts from PAMC. A majority of future occupancy is based upon demographic projects from the State Planning office and the aging population in the region. PAMC does not quantify how granting this CON would harm PAMC or express what PAMC would do to help mitigate the present threats to patient and public safety due to the overwhelming preference of patients to choose MCH. It is important to restate that approximately 80% of patients that appear at the MCH Emergency Department do not arrive by ambulance – they self-transport and would have no way to know that MCH was on diversion status or was in a “patient boarding” situation.

**CONU Conclusion:**

*For all the reasons set forth in the preliminary review, based solely on a review of the record, we conclude that the review criteria have been satisfied as follows:*

- The applicant is fit, willing and able to provide the proposed services at the proper standard of care.
- The economic feasibility of the proposed services has been demonstrated.
- A public need for the proposed services has been demonstrated.
- The proposed services are consistent with the orderly and economic development of health facilities and health resources for the State.
- The proposed project is consistent with the State Health Plan.
- The proposed project ensures high-quality outcomes and does not negatively affect the quality of care delivered by existing service providers.
- The proposed project does not result in inappropriate increases in service utilization.
- The proposed project can be funded within the Capital Investment Fund.

**RECOMMENDATION:** The CONU recommends this proposal be **Approved with the following conditions:**

- 1) The total licensed bed capacity of Mid Coast Hospital (MCH) will be 92 beds;
- 2) MCH will report the number of diversions and boarding events annually to the CONU for the period beginning in 2007 through three years following project implementation;
- 3) MCH will report data on increased efficiencies in throughput for diagnostic services annually for three years following project implementation; and
- 4) MCH will report results from the Obesity prevention program annually for a period of three years following implementation.

Capital Costs

\$ 19,803,183

\$ 1,521,113

\$ 21,324,246

Capital Costs As Proposed and Approved  
Contingency Applied For  
Total Approved Capital Budget

Incremental

3<sup>rd</sup> Year Costs

\$ 3,120,813

Approved As Proposed